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10 December 1951

MEMORANDUM

TO : Mr. Walter Pforzheimer

SUBJECT: CIA Legislative Program

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1. I have read and generally agree with all of the recommendations contained in your memorandum on the above subject.

2. For the most part these proposed legislative actions are designed to alleviate financial hardships to Agency employees who by reason of their compliance with orders of CIA incur expenses which are not reimbursable due to the technicalities of law. This of course is desirable, but I believe further research should be made as to the need for special legislation in the specialized field of covert operations.

3. As an illustration, I believe it is imperative that CIA seek at the earliest possible date practical legislation for the handling of the income tax liabilities of persons engaged in truly covert operations. I believe that CIA at present is necessarily encouraging people to evade their income tax liabilities or to jeopardize the security of CIA operations and possibly even their lives. Moreover with the increasing audit pressures being created in the Bureau of Internal Revenue, I believe the problem will be greatly aggravated.

4. My recommendation for several years in respect to this problem is that CIA secure authority to pay "tax paid" compensation. Taxes would be withheld (at an appropriate tax rate) from all covert compensation paid. The tax rates would be determined by either the statute itself or by a formula agreed upon by the Collector of Internal Revenue. Although it is true that in theory there might be a small loss of revenue due to administrative inability to know of income derived from non-CIA sources and the exact exemptions of each individual, this is a small price to pay for operational security. Factually, I believe the Government would receive increased revenues.

5. In addition to this problem, I believe legislation would be desirable to permit under certain circumstances the travel and medical expenses of dependents of employees who are assigned to stations and duties involving abnormal exposure to unhealthful

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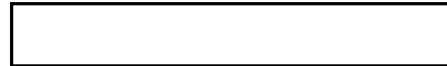
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conditions. In other words I believe we should increase the protections available to employees we ask to assume difficult assignments.

6. Consideration has, I know, been given to the need for hazardous duty legislation so I will not discuss it at this time. In addition, however, I believe a careful study might reveal certain other important needs for special legislation of importance to covert operations.

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